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- For almost a year the leading elements of the Hungarian government and Communist party have been publicly searching for the reasons for the failure in meeting the quotas of the Five-Year Plan of 1950 - 1954. The chief blame for the failure of the Plan seems to rest on the divided authority which plagues the efficiency of each government-controlled shop and industrial plant in Hungary. In charge of every publicly owned emporium and factory are:
 - the secretary of the Communist party,
 - the secretary of the trade-union and his staff, and
 - the plant management, which because of the lack of trained executives still rests in the hands of experts with no political affiliations.
- This three-way division of the executive authority leads to a considerable lowering of efficiency. The laborers, who do no fear dismissal by the "capitalistic" management and who do not expect to be out of work for any length of time in the Communist state, begin to engage in absenteeism in ever increasing numbers. Unkept promises, in regard to improved living conditions, contribute to the low morale of the workers, their slackening effort while at work, and consequently to the entire slowing down of production. The plant management is helpless in face of this passive resistance since any disciplinary measures against the workers initiated by non-Communist management would be interpreted as persecution of the working class.
- Even more serious, from the point of view of efficient production, is the inexpert interference of the Party secretary or the trade-union representative in managerial matters involving technical details, office routine, and production goals.
- If the targets of production were to be met, it became obvious to the government circles that drastic changes would have to take place. Matyas Rakosi's speech of 21 October 1951 to the miners at Batahanya should be interpreted in this light. The key sentence of this speech is: "The abolishing of the threefold leadership"

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and the introduction of individual management with a single personal responsibility is the goal of the Hungarian industry." This theme was subsequently expounded by other Communist leaders, notably by the prominent economist István Friss.

5. The process of reversal to a single leadership will be a long one, if not an impossible one. There is no immediate possibility of improving the morale of the workers, no matter what action the government might take. Sweeping authority will be granted to the plant managers and engineers regardless of their political affiliation; nominally they will be responsible only to the ministerial official in charge of their industrial branch. It is easy to see that it will be by no means possible to imbue with courage and authority these non-Communist executives who for years now, through Communist bullying, have felt insecure. Furthermore, the reversal to a single authority in plant management is only a sham. The Party control over the management will be in the future more subdued but nevertheless it will remain. Governmental leaders talk grandiosely of cadres of experts who are also loyal Communists, who eventually will take over the management of shops and industries. The truth is that the Communist party of Hungary always was and still is a "dwarf" party which cannot possibly occupy all key positions in the economic life of the country in the foreseeable future. That is the reason too that the loudly publicized single leadership will actually be a double one: The Party secretary will continue to remain at every government-controlled plant. The only losers will be the representatives of the trade unions (who have been steadily losing ground anyhow) who had been tolerated hitherto as a convenient façade for Communist activity.
6. In surveying the Hungarian scene in its entirety it can be stated that "the organized leadership is intellectually first class and honest. Mátyás Rákosi may very well be the most significant personality among the leaders of the people's democracies. He assembled around him a brain-trust which is not inferior but very likely superior to any in the eastern states. Gossip-loving Budapest could not turn up a single affair of corruption among the high command of the Communist party, whereas leading personalities of the Social Democrats and Smallholders were involved in scandals of profiteering... This intellectual and moral bankruptcy of many of the leading elements of the bourgeois majority party and of the Social Democrats.. contributed heavily to the downfall of the two parties and paved the way for the Communist seizure of power.
7. "However, the middle and lower echelons of the Hungarian Communist leadership do not measure up to the splendid performance of the top men. Within the Party and the government, from the political police to the office of finance, corruption prevails. Thus the lack of dependable and capable elements in the middle and lower regions of leadership became noticeable in the Hungarian economy and, above all, in industry.
8. "Commenting on the problem of leadership, Stalin in 1931 justifiably stated: 'As long as there are among us. . . no sufficient number of people who are well versed in matters of technology, economy, and finance, we shall not have really individual leadership.' A lot of water will flow down the Danube River until the Hungarian bolsheviks have reached this goal."

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